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RHEHNSC/NSC WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 MANAMA 000584

SIPDIS

SIPDIS

NEA/ARP, EB/CBA FOR BBEHRENS  
TREASURY FOR U/S QUARLES AND KRAMANATHAN  
COMMERCE FOR THOFFMAN AND CLOUSTAUNAU  
STATE PASS TO USTR FOR DBELL, JBUNTIN AND AROSENBERG

E.O. 12958: DECL: 04/09/2016  
TAGS: [ECIN](#) [EINV](#) [ECON](#) [PREL](#) [BA](#)  
SUBJECT: FOLLOWING DUBAI PORTS WORLD CONTROVERSY, U.S.  
MARKETS REMAIN ATTRACTIVE

Classified By: Ambassador William T. Monroe, reasons 1.4 (b) and (d)

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SUMMARY  
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¶1. (C) The Dubai Ports World (DPW) controversy has receded from the headlines since Economic Development Board (EDB) CEO Shaikh Mohammed bin Isa Al-Khalifa's reported criticism of the outcome was published in the Daily Telegraph. In the early days following DPW's decision to sell its U.S. operations to a U.S. buyer, some Embassy contacts indicated that Gulf Arabs might be inclined to reevaluate future investment in the U.S. However, more recent reactions indicate that for the present, these reservations appear to be mitigated by the size, strength and attractiveness of the U.S. market as an investment destination. End summary.

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DISGRUNTLED GOB TONE SOFTENS  
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¶2. (SBU) EDB CEO Shaikh Mohammed bin Isa Al-Khalifa's criticism of the DPW outcome was quoted in the Daily Telegraph immediately following the collapse of the deal. When asked if it was fair that many were describing the U.S. reaction as racist he reportedly replied, "Absolutely, but it's something we can't speak about. I think it was a shame. The DP World deal was a good deal. But this is politics." (Comment: Shaikh Mohammed's comments were noteworthy because they stood in contrast to his normally reserved demeanor. End Comment.)

¶3. (C) However, when U.S. Treasury Under Secretary for Domestic Finance Randal Quarles met Finance Minister Shaikh Ahmed bin Mohammed Al Khalifa March 17, he told him the controversy had no impact in Bahrain. "We haven't seen a ripple effect," he said.

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BUSINESSMEN OFFENDED BUT ULTIMATELY PRACTICAL  
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¶4. (C) Shortly after the controversy erupted, American Express Middle East Bahrain Vice President and CFO Romesh Deora told Emboffs that the ports issue seemed to indicate a double-standard that injured the credibility of the U.S. free trade message in the region. The "injured credibility" angle was picked up by Kanoo Travel Executive General Manager Abdulla Abu Khamseen, who claimed that the DPW issue "tends

to discredit Bahrainis who have been public proponents of free trade with the U.S. and adds credibility to anti-U.S. voices in the debate on the merits of free trade."

15. (C) American Express Advisor for Government and Public Relations Yousif Al Shatter added "Dubai is all about business, not politics. The Washington uproar hurt the people in the Arab world who have the least to do with politics." He said the failed DPW deal left the impression with Arabs that the U.S. does not want to do business with the Arabs. The U.S. takes a piece of the Arab cake, but Arabs can't take a piece of the American cake. However, he concluded, "Arabs have no choice but to have commercial relations with U.S. because of the size of the American economy and its economic power."

16. (C) Gulf International Bank CEO Dr. Khaled Al Fayez remarked to Embosffs at a more recent event that although the outcome of the DPW issue had evoked a strong negative reaction in the Gulf, it was clear that the President and the Administration had supported the deal strongly. (Note: Gulf International Bank manages funds valued at USD 17.9 billion. End note.) "After 9/11," he noted, "private individuals pulled their money out of the U.S., but (Arab) governments did not. Governments, however, did not invest new monies there. By contrast, in the last 18 months, both public and private funds were returning to U.S. markets. The reason is that there is so much money in the Gulf now and the only market that can absorb these funds is the United States." He added that Arabs invested some funds in local markets and some in Asian markets, but those markets were unable to absorb the amount of money that Gulf Arabs now have to invest. "The U.S. was a logical destination."

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COMMENT  
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17. (C) The recent conference on "Free Trade In the Middle East," which Commerce Secretary Gutierrez attended, highlighted the business opportunities resulting from the FTA with Bahrain and potentially with other regional countries. The DPW controversy rubbed some of the luster off that conference, which had been uniformly praised in Bahrain. Whether DPW has any long-lasting impact on Arabs' interest in investing in the U.S. will be determined by what happens next. As one contact said, "If DPW was an aberration, the wounds will heal quickly and business will get back to normal again."  
MONROE